



The Kiwi Consumer

NAB Retail Report

November 2009

Agenda

- The Market
- Advertising Spend
- The Consumer
- Shopping



The industry

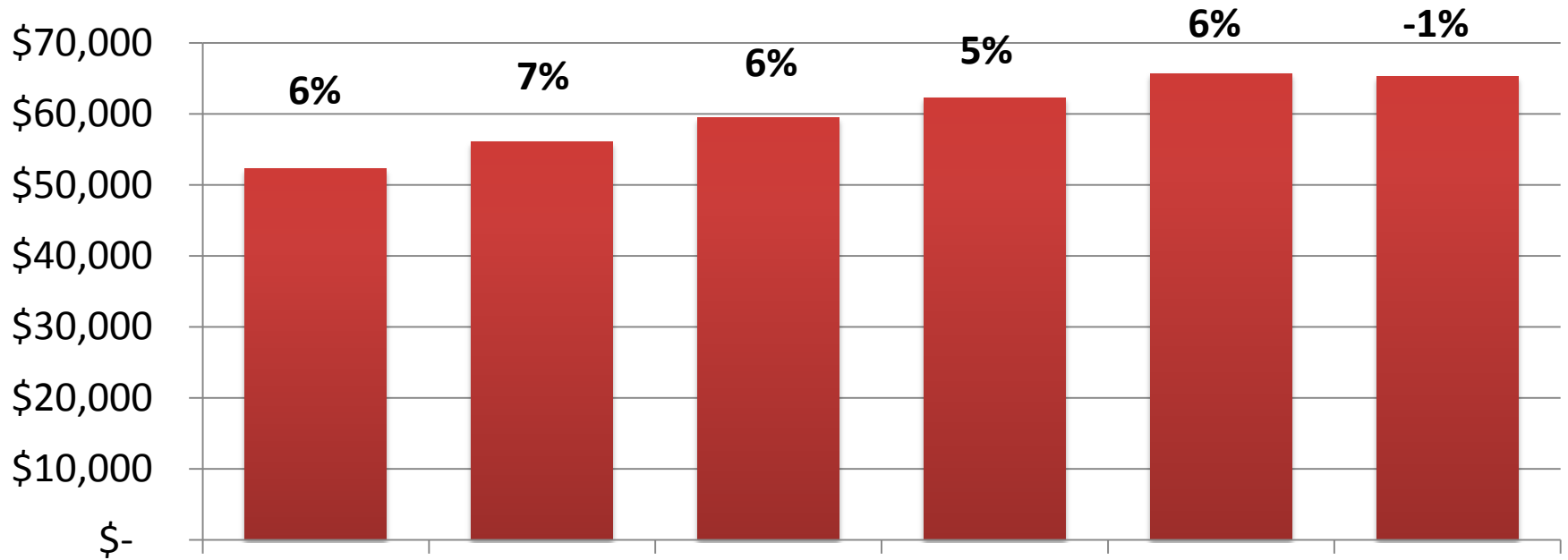
- New Zealanders spend more than \$12,000 in shops every year, for every adult, child and baby. That adds up to annual retail sales of more than \$50 billion.
- The industry employs 325,000 people, about 20 per cent of the national workforce.
- There are more than 49,000 retail outlets including shops, service stations, cafes & restaurants and car sales yards.
- New Zealand has more than 150 national and regional chains operating about 7,500 stores. The vast majority of New Zealand's retail outlets are owned independently and operated by their owners.



Sales and Income

(000's)

Total Retail Sales to March 2009



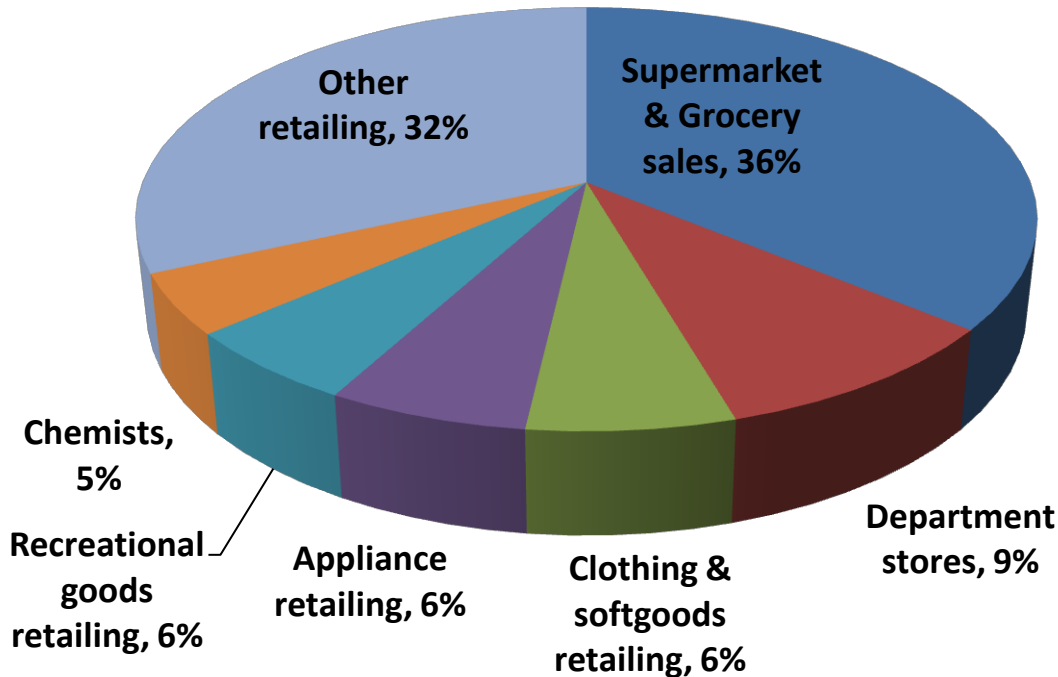
Median
Weekly
Income and
% change

Year	2004	2005	2006	2007	2008	2009
Median Weekly Income	\$614	\$640	\$671	\$707	\$729	\$756
% change	3%	4%	5%	5%	3%	4%

Core retail category sales



% Share of Sales to March 2009



Key Increases YOY:

- 9% Fresh Produce
- 6% Footwear
- 5% Supermarket
- 4% Chemists
- 3% Household repair services

Key decreases YOY:

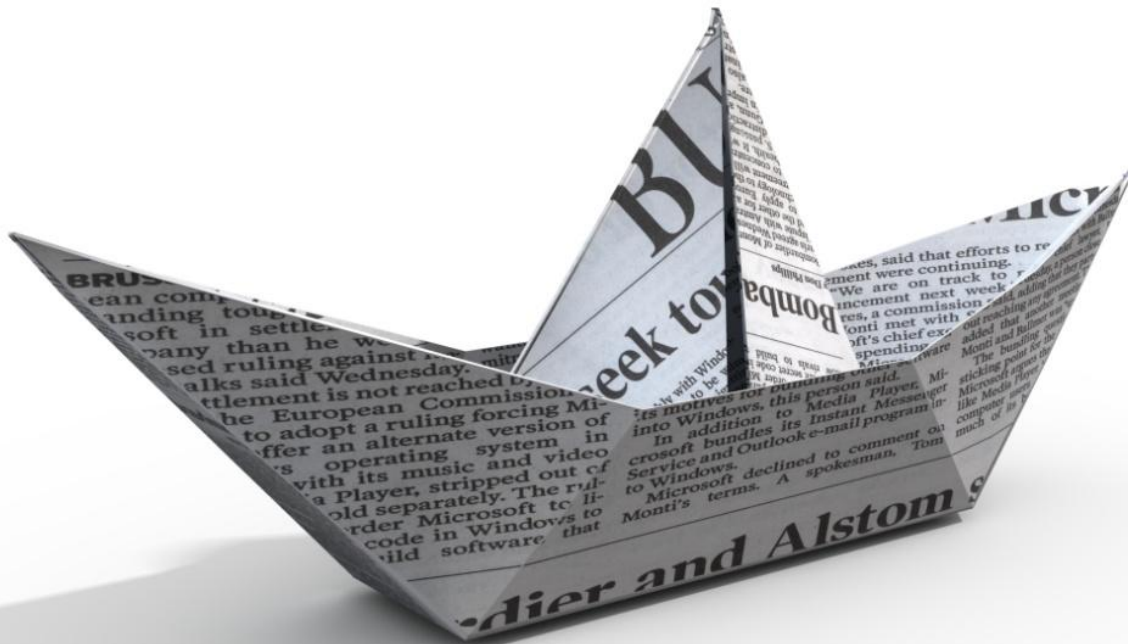
- 14% Furniture & Floor Coverings
- 6% Hardware retailing
- 5% Personal & household goods hiring
- 3% Recreational goods

Retail sales in Summary



- Over the seven-year period retail sales grew by \$16b or just over 32% (over 5% p.a.).
- Supermarkets and grocery sales account for over a third of 'regular retail' sales.
- Department stores account for 9.4% of 'regular retail' – in spite of their heavy presence they account for only about a third of what is achieved by supermarket and grocery sales.
- In spite of the huge number of clothing outlets and the huge growth in their outlet numbers (52% over the last seven years) the sales performance has not been there. In the latest year sales in this sector declined by just over 1%.

ADSPEND



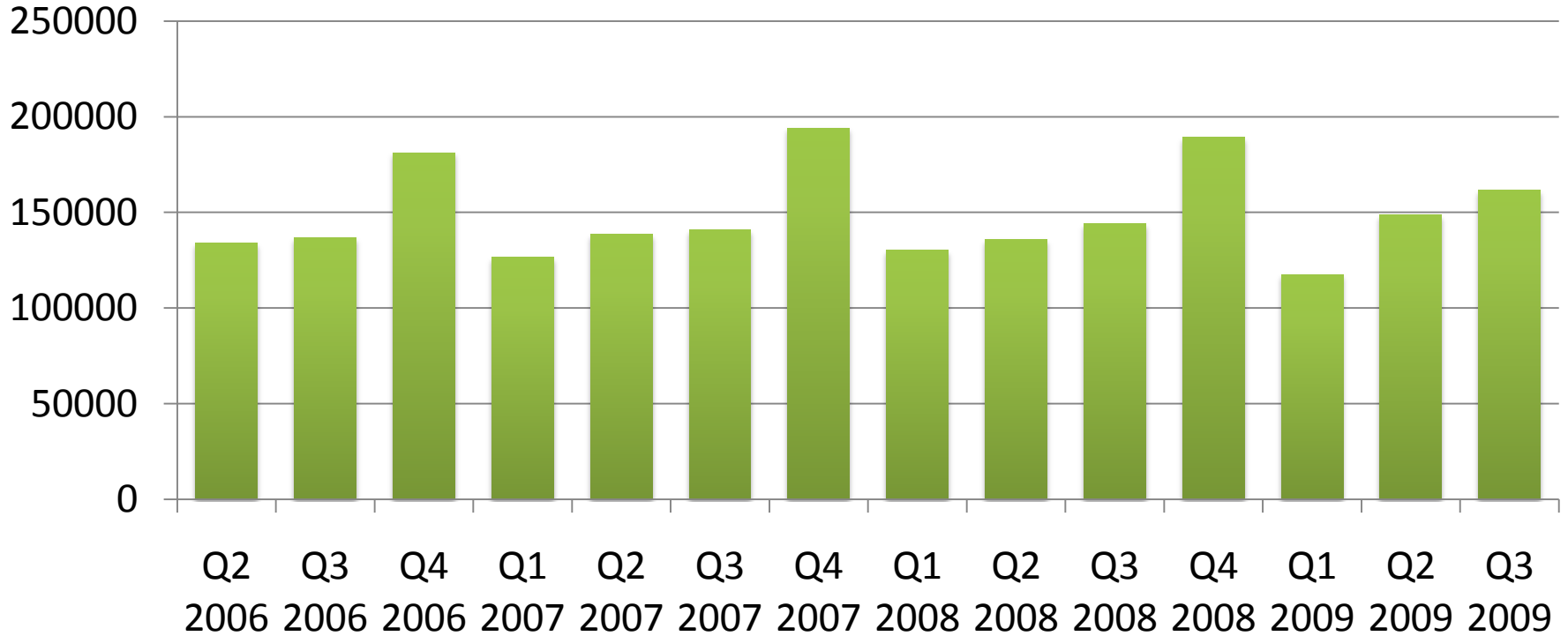
Adspend: Retail



- Based on Key retail chains as defined by the Retail Organisation of NZ.
- 24 Categories with \$700m rate card ad revenue to Q3 2009.
- Signs of growth in ad spend in the last 2 quarters – all top 5 categories increased spend year on year.

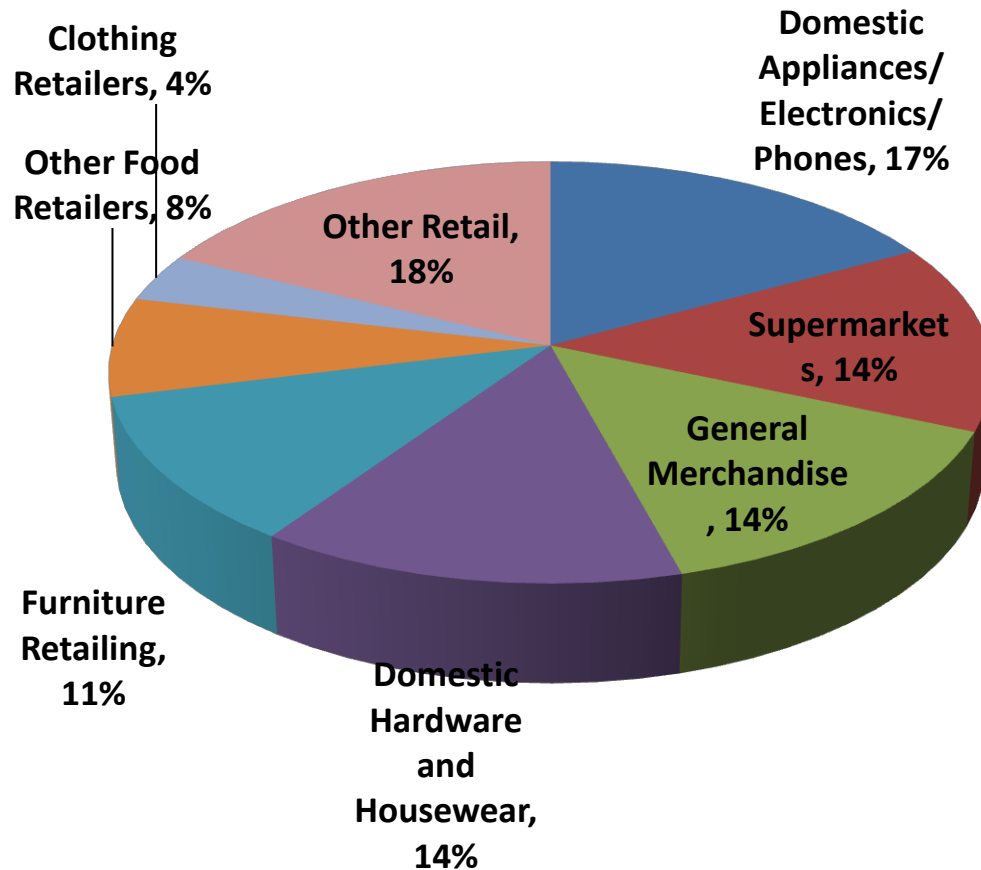
Adspend by Quarter

Core Retail Ad Spend by Quarter



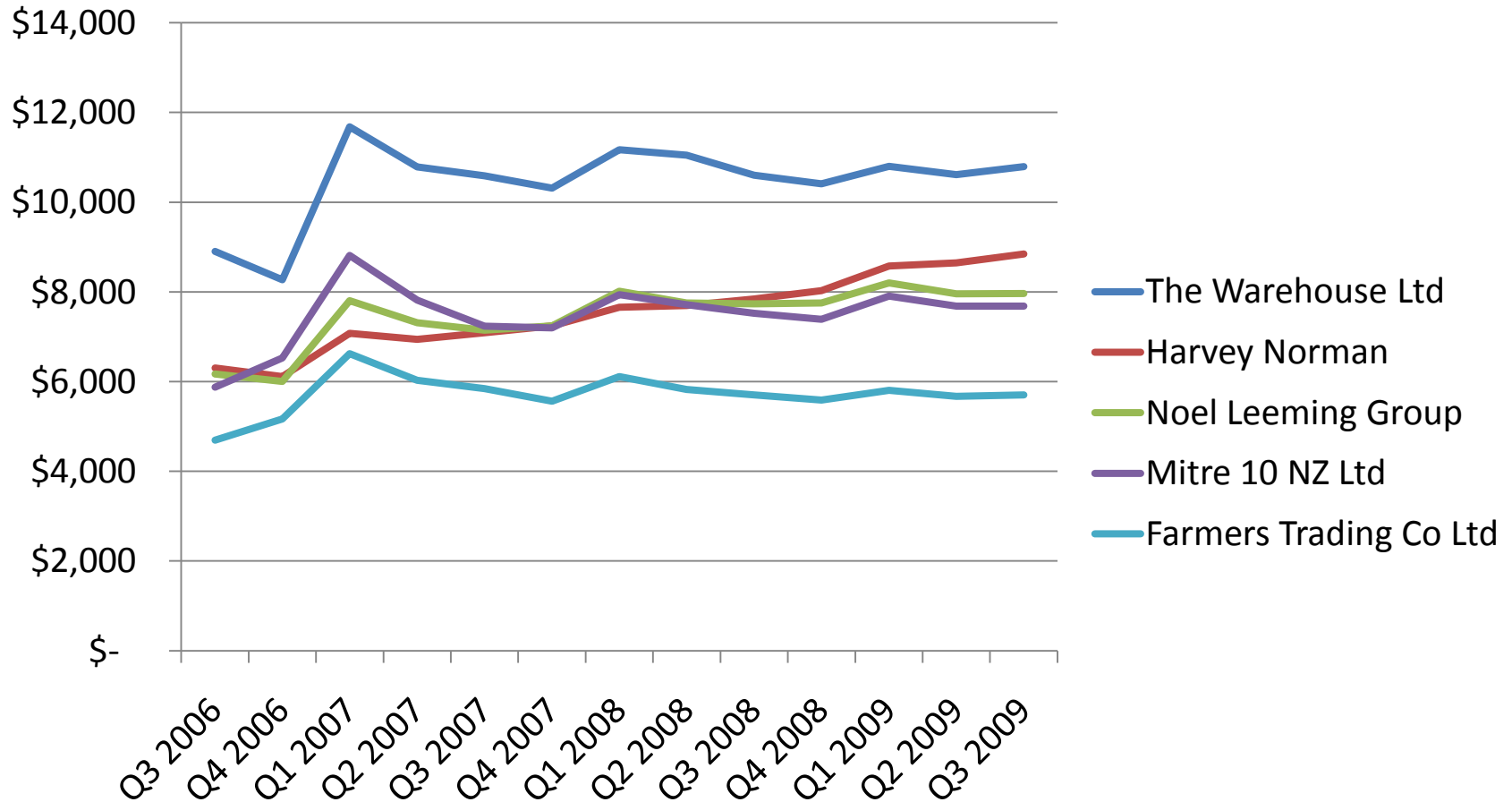
MAT	to Q2 2008	to Q3 2008	to Q4 2008	to Q1 2009	to Q2 2009	to Q3 2009
% Change	-1%	1%	-1%	-2%	2%	3%

Core Retail Adspend Share by Category



Top 5 Categories		% Change Q4 2007 – Q3 2008 v Q4 2008 – Q3 2009
Domestic Appliances/Electronics		+5%
Supermarkets		+5%
General Merchandise		+2%
Domestic Hardware and House wear		+2%
Furniture Retailing		+12%
Total Retail		+3%

NZ largest retail advertisers MAT by Quarter



Ad spend reflected sales

- The first quarter of 2009 saw an average 2% decrease on the same period last year.
- A turnaround into positive territory occurred in Q2 with core retail ad revenue increasing by 2%, to then increasing again to 3% on average over the same period last year.
- Largest category spending is in the consumer electronics and appliances at 17% market share, followed by Supermarkets and general merchandise.
- Through 2006 to today; of the 5 largest core retail spenders, Harvey Norman increased spend most on average. Little to no growth in the other major retail advertisers.



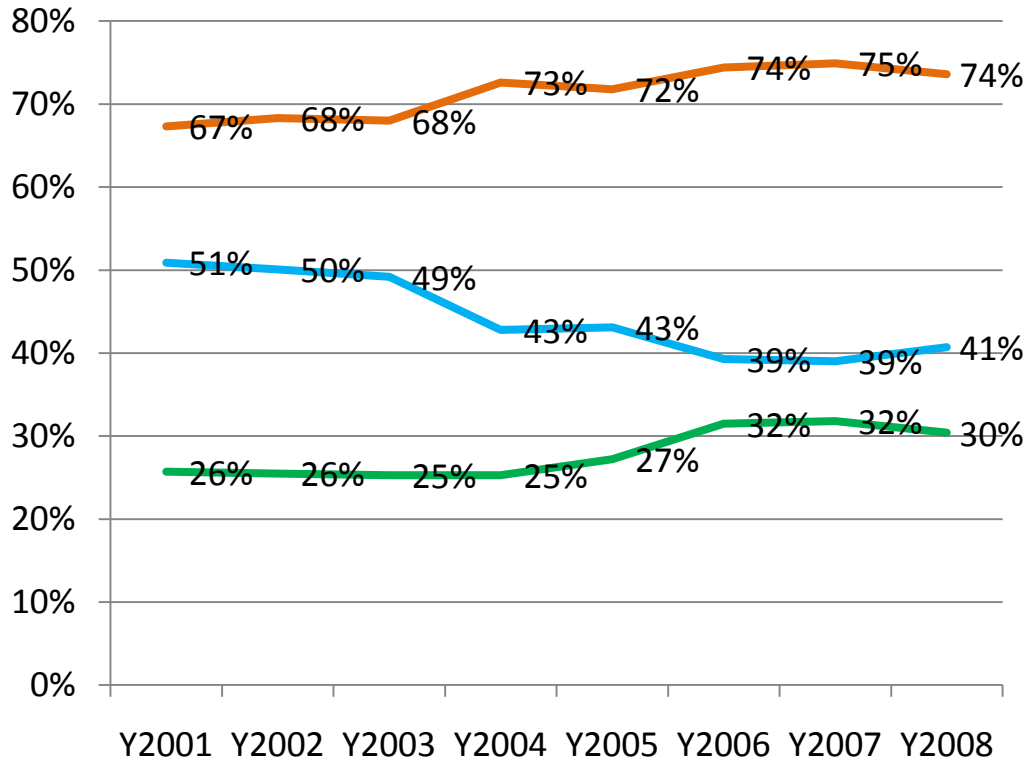
THE CONSUMER



The Kiwi Consumer

A lot has changed in the last decade in terms of convenience, shopper experiences, greentailing and finance. But have we, the consumer changed with these trends?

Grocery Shoppers



Males are more likely to be involved in grocery shopping, although over 40% still non-household shopper.

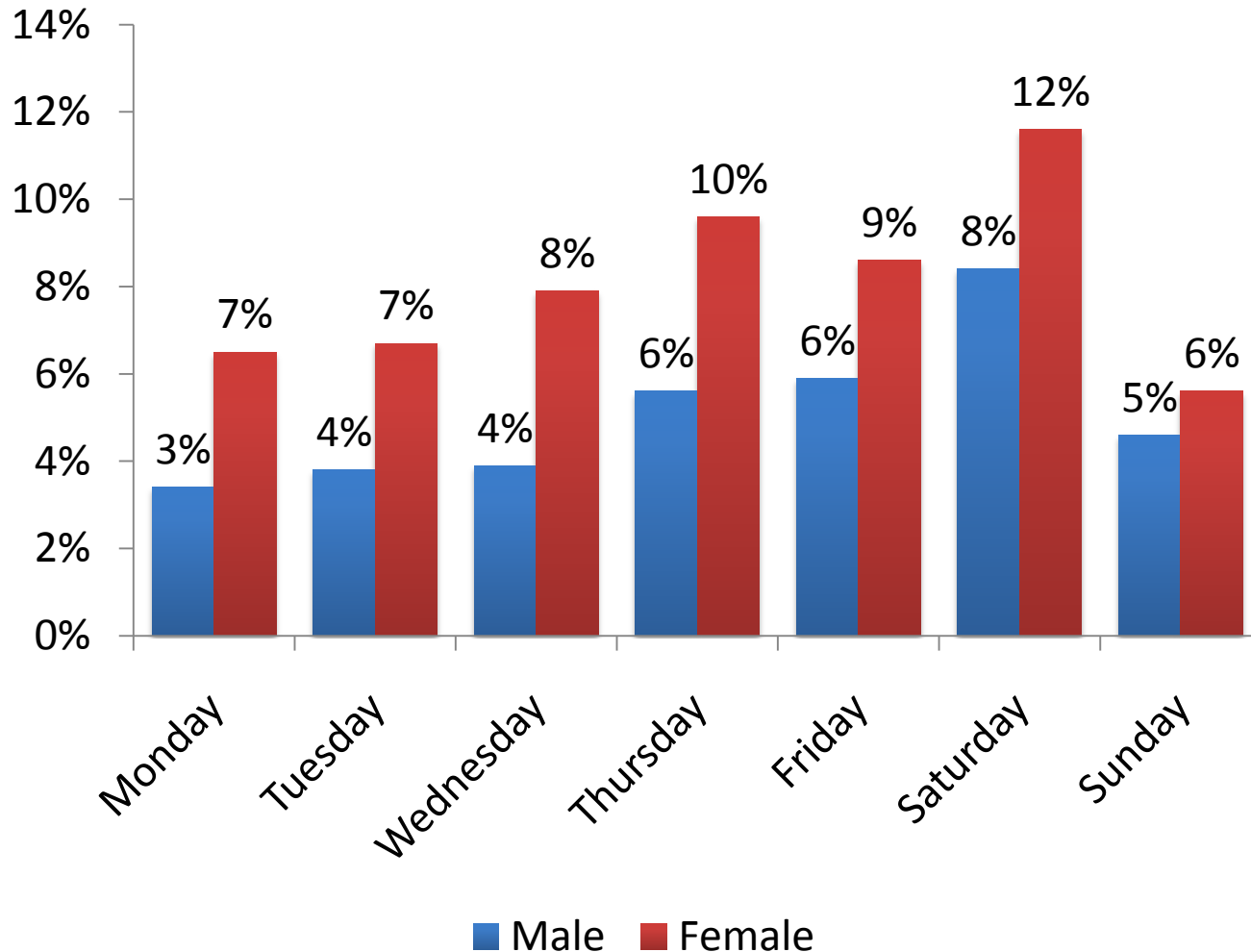
Main household shopper likely to be aged 30+ with a strong skew towards Females through 35 – 54 years.

Total household shopper has increased by 6 percentage points 08 v 01. More people out shopping than previous years.

- Male Equal Household Shopper
- Male Non Household Shopper
- Total Household Shopper



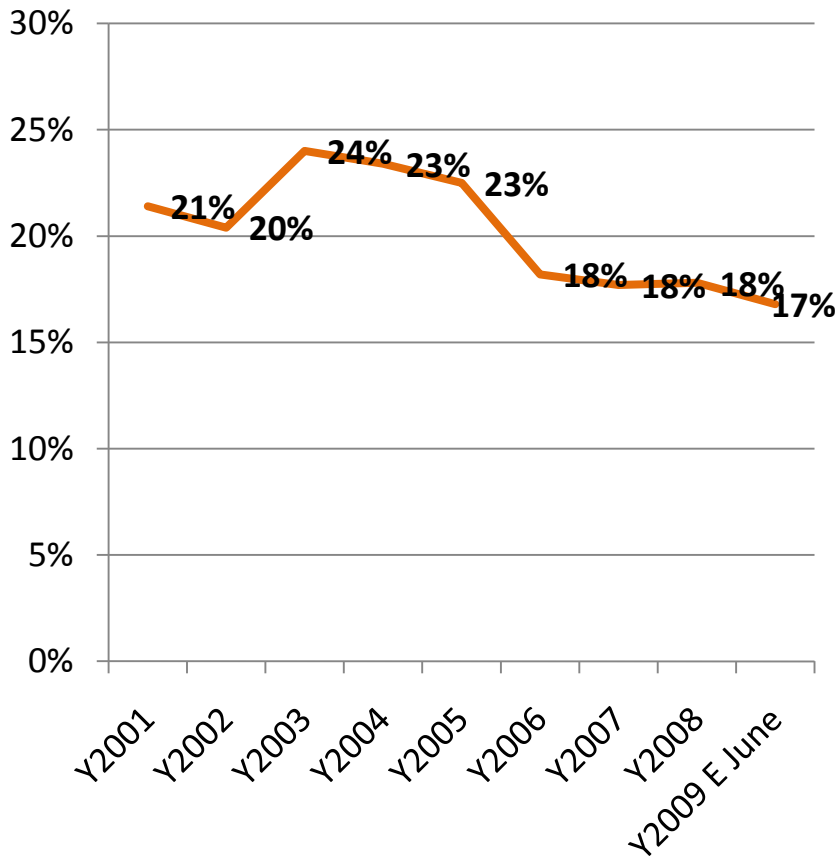
Non-grocery shopping days



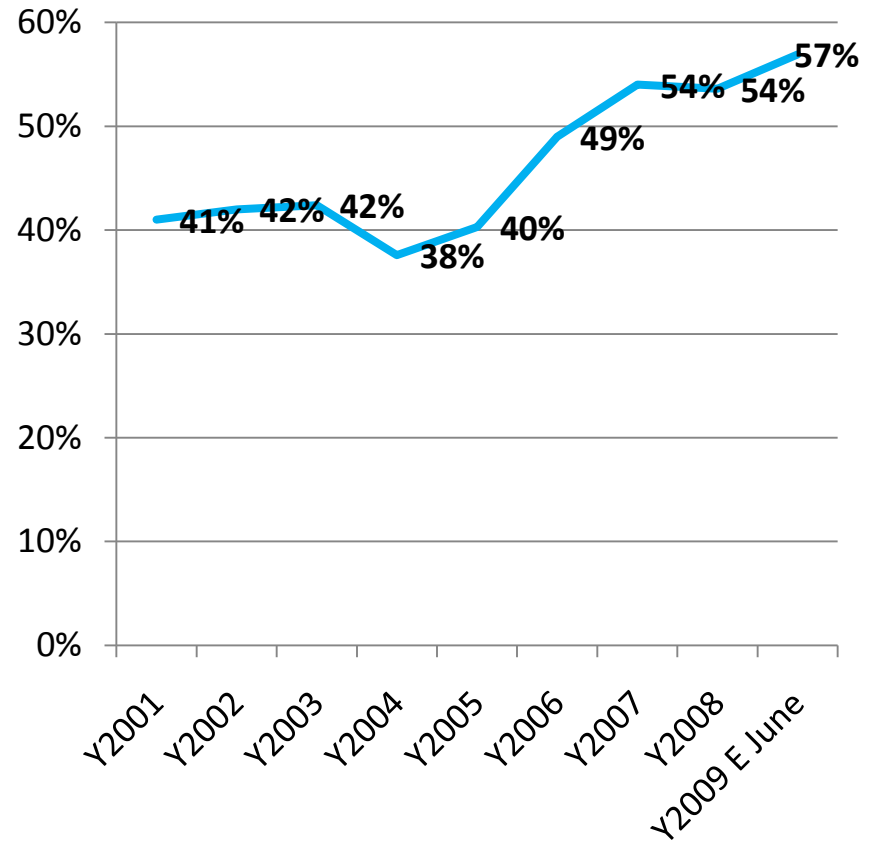
Male shopping behaviour builds towards the end of the week, whilst Females on the other hand shop more on a Thursday than a Friday.

Quality v Cost

Agree: "Higher Prices Means Better Quality"

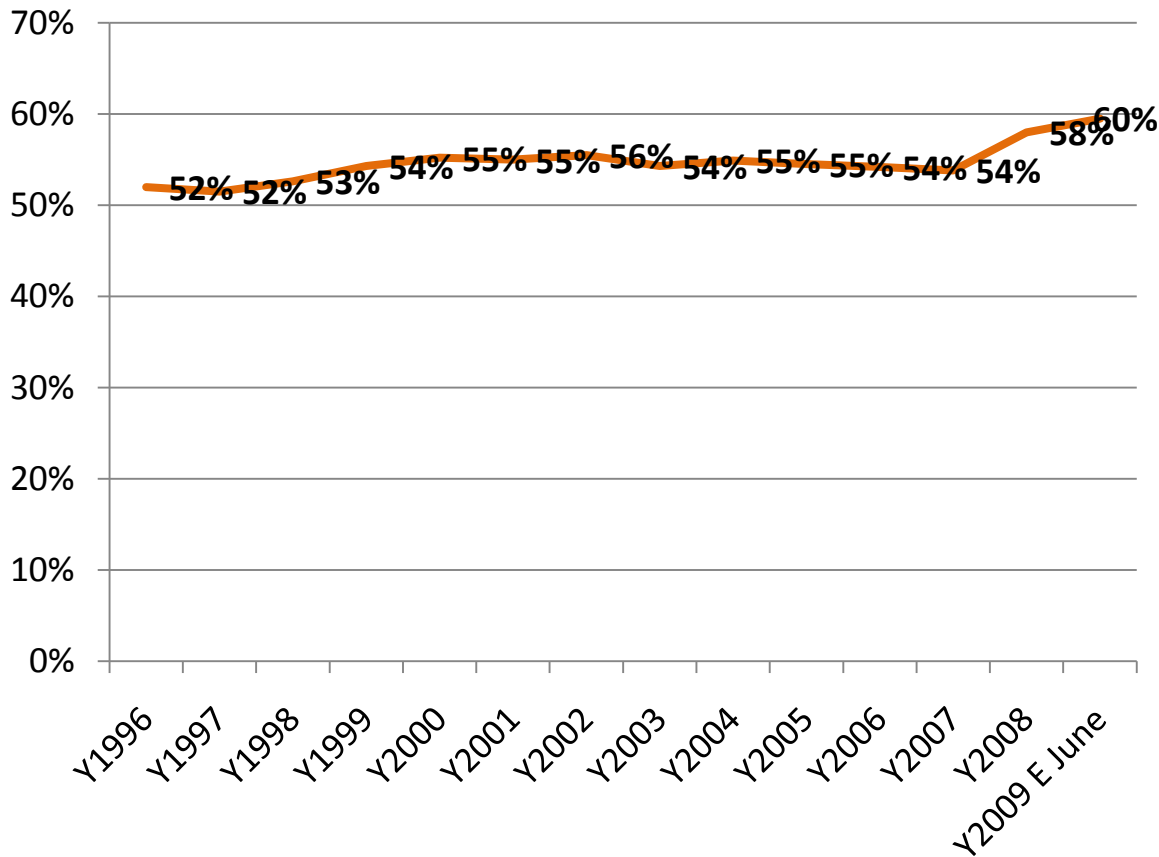


Agree: "I Put Quality Ahead Of Costs"



Bargain Hunting

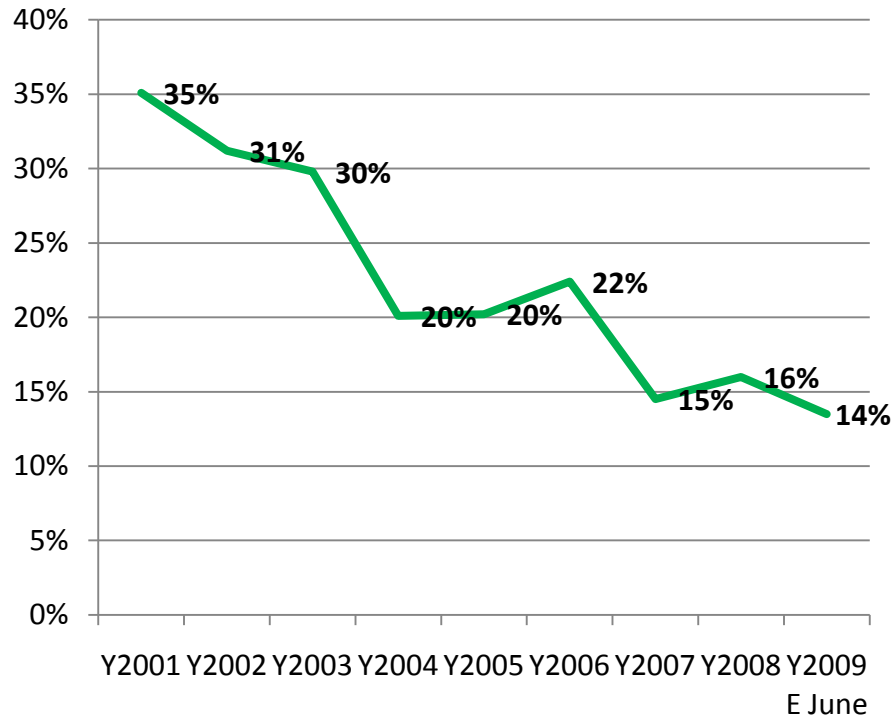
Shop A Lot For Specials and Bargains



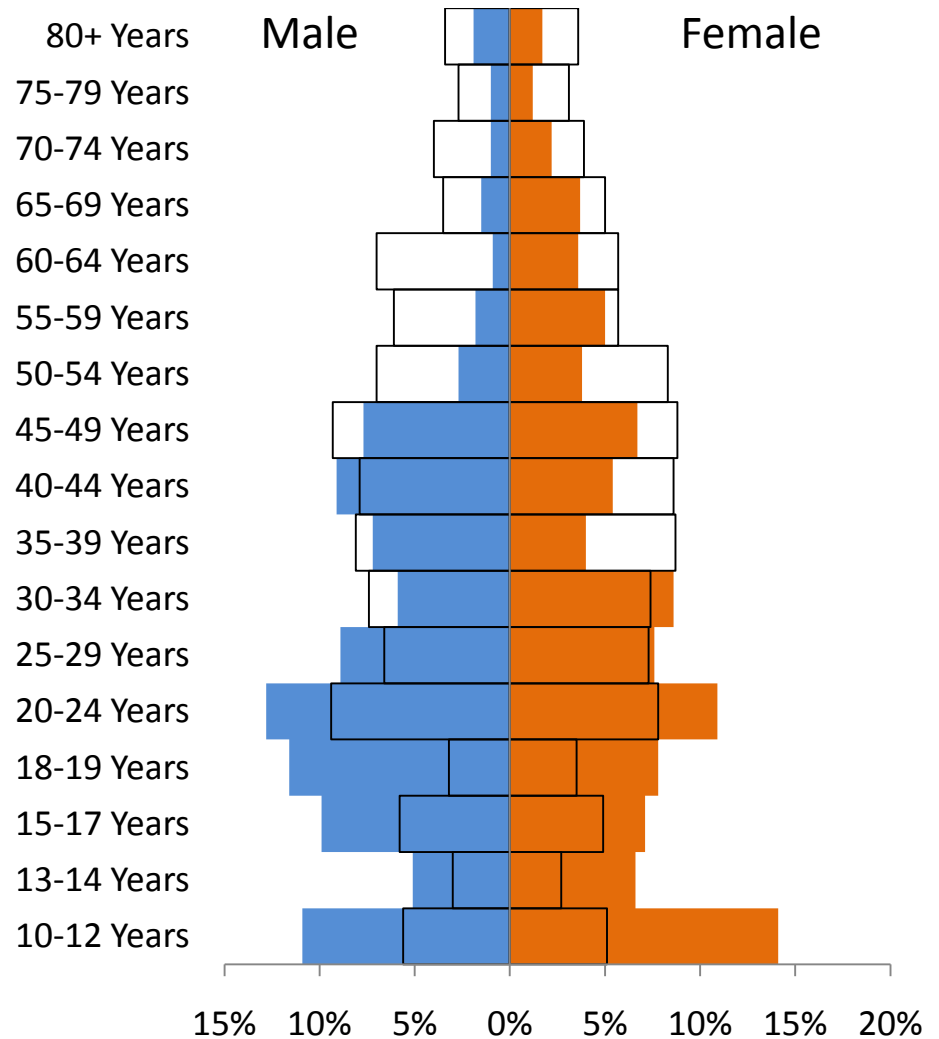
Bargain hunting has increased over time with a distinct uptick in the last year.

With consumers less likely to believe a higher price equates to higher quality the pressure is increasingly on the retailer to demonstrate value.

Agree: "I Like to keep up with the latest fashion"

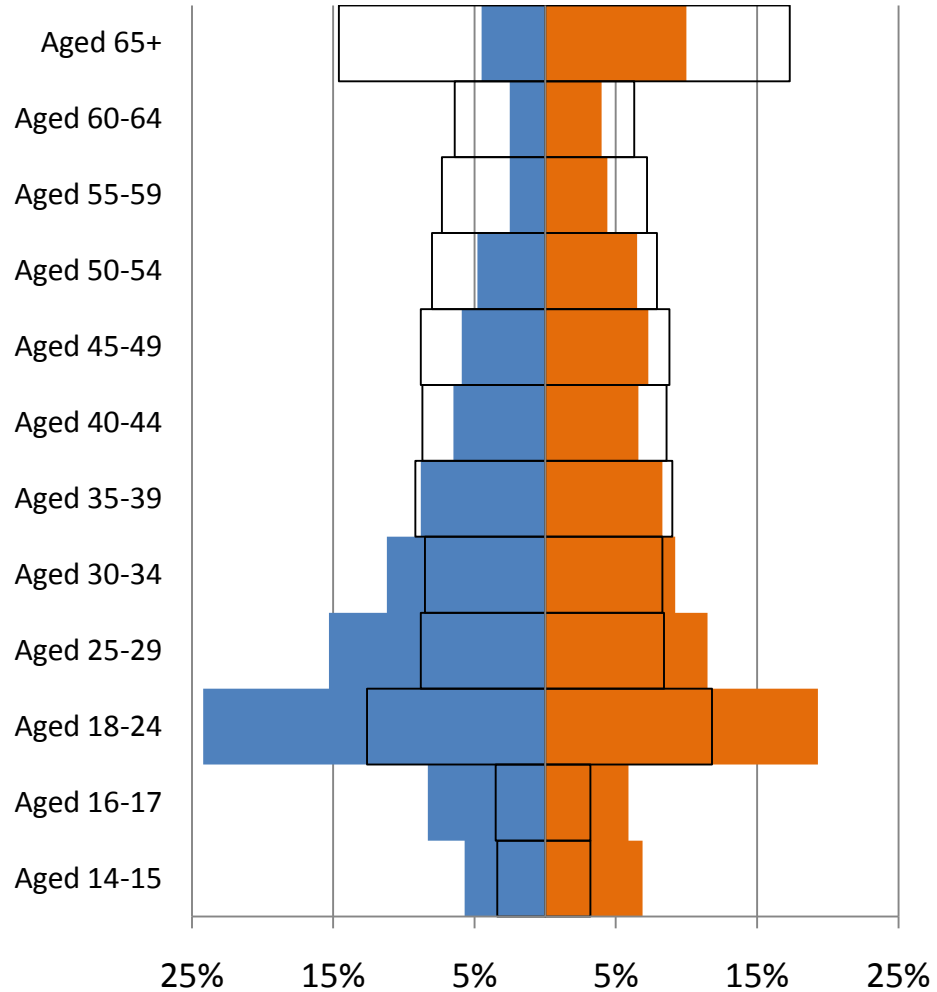
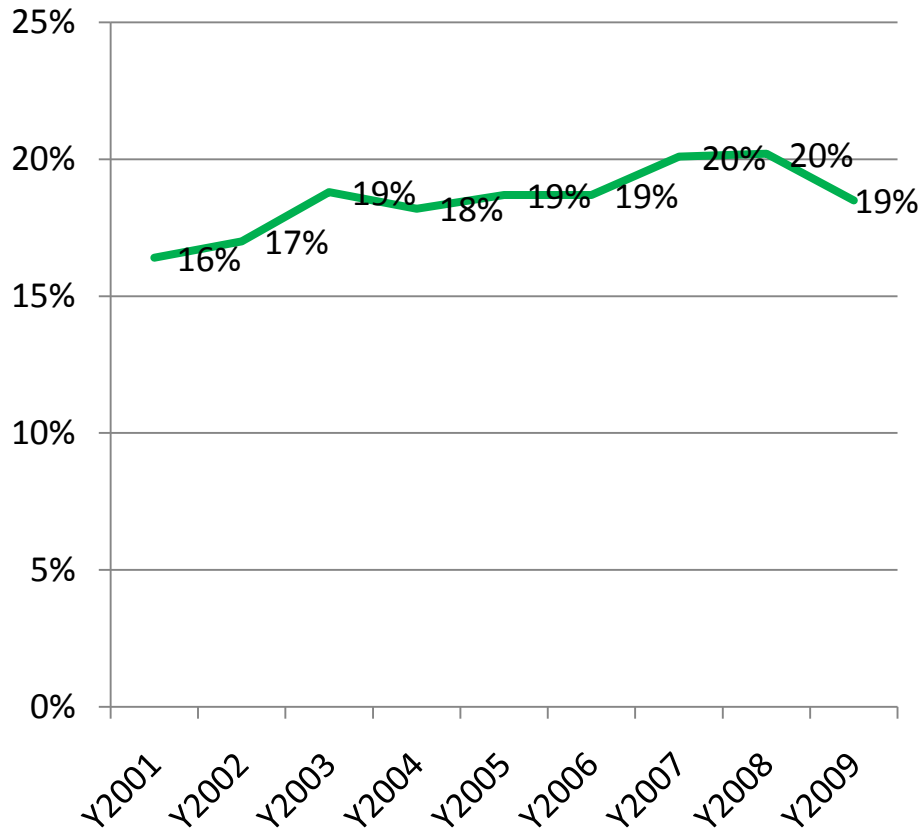


"Since the start of the new millennium the number of clothing stores has grown from 2,570 to 3,901 – an increase of 52% on an average of around 7% per year. This has not been matched by either population or sales growth. We have more and more players fighting for a share of a relatively static market."

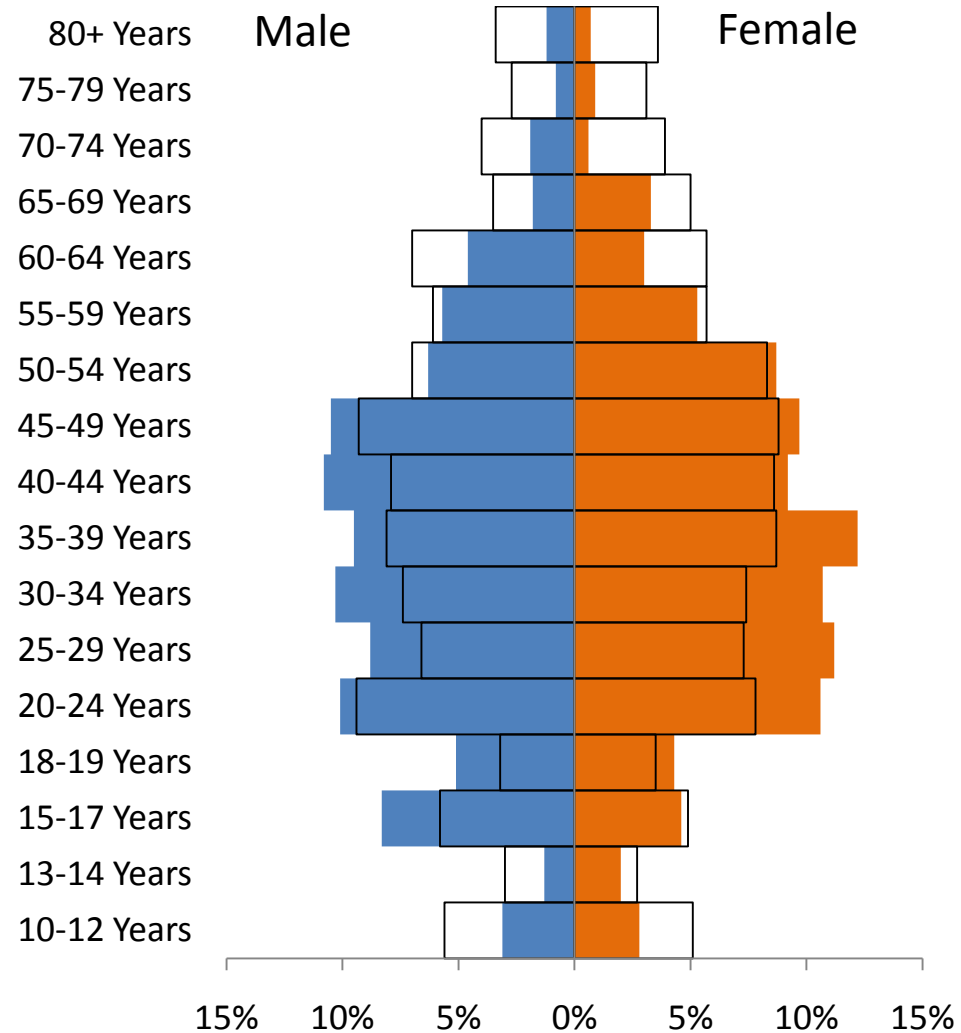
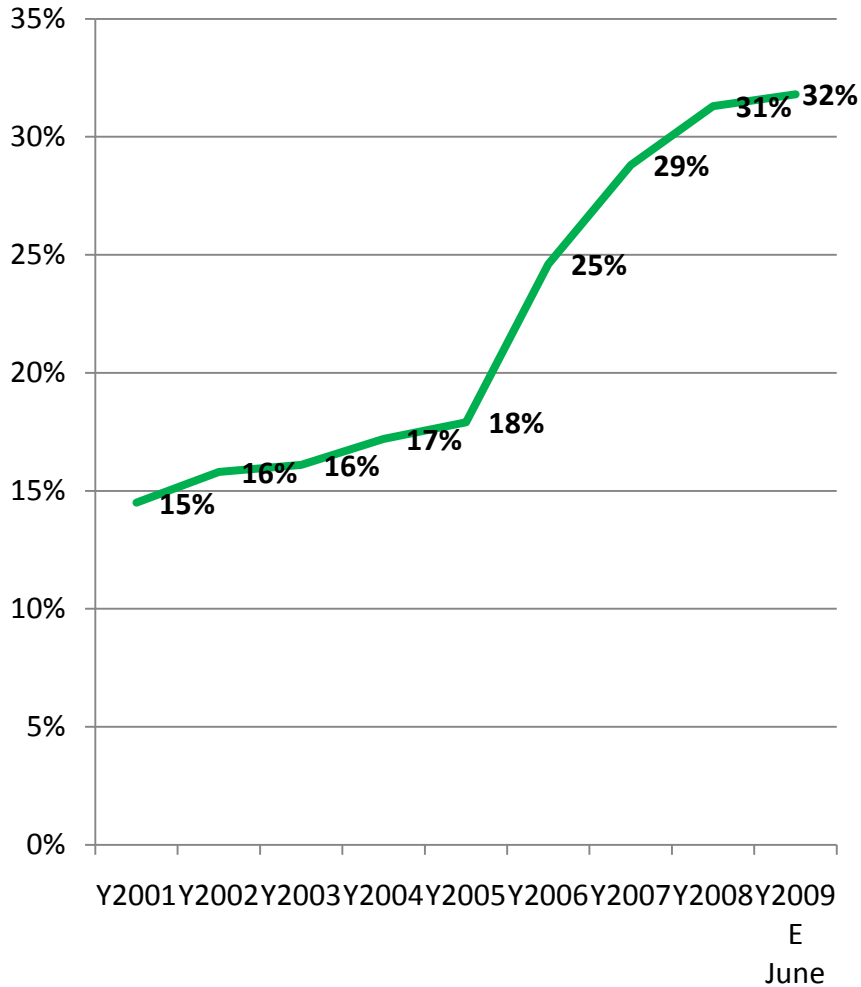


In Australia; “I try to keep up with the latest fashions”

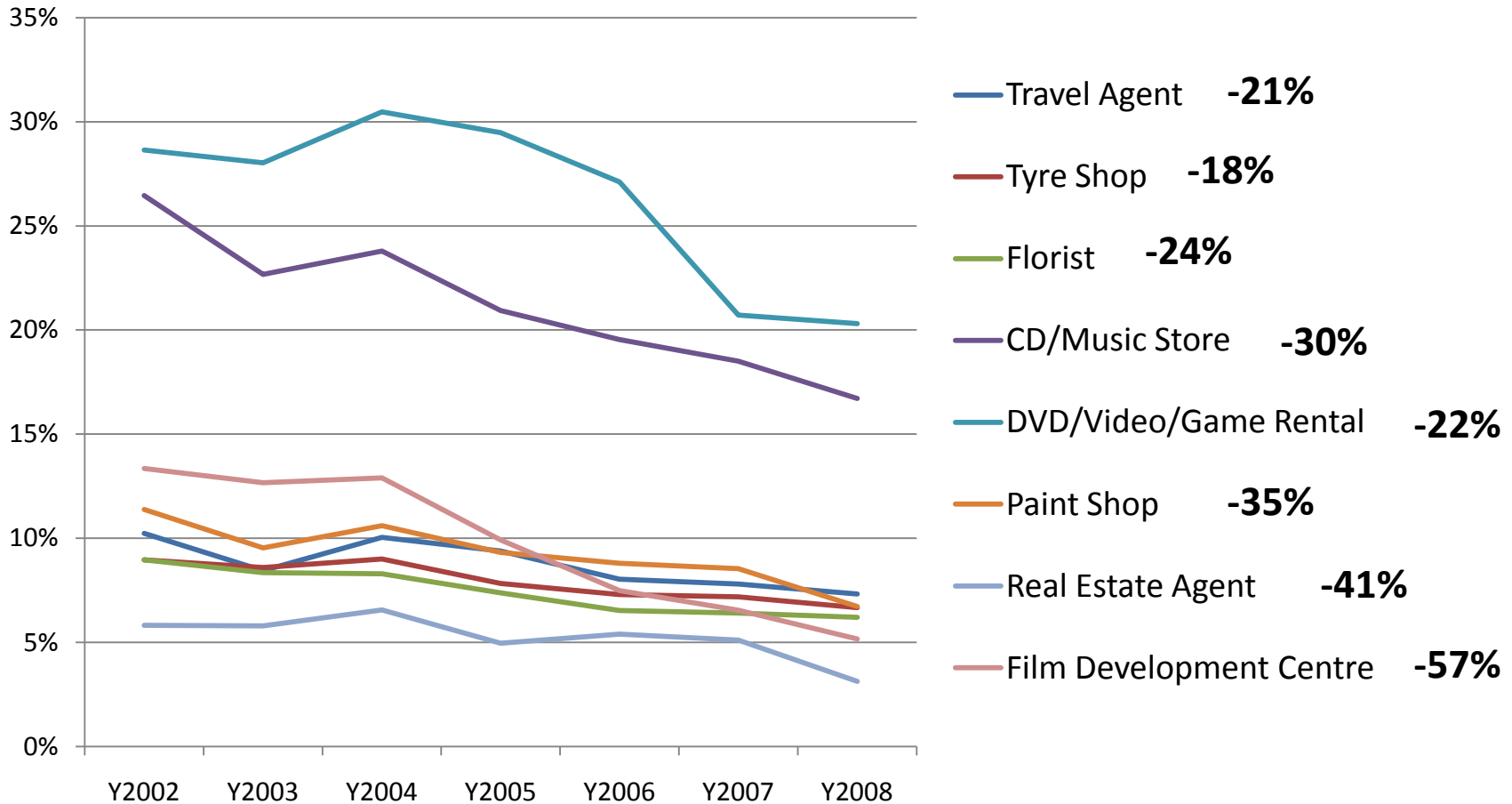
Agree/Strongly Agree: I try to keep up with the latest fashions



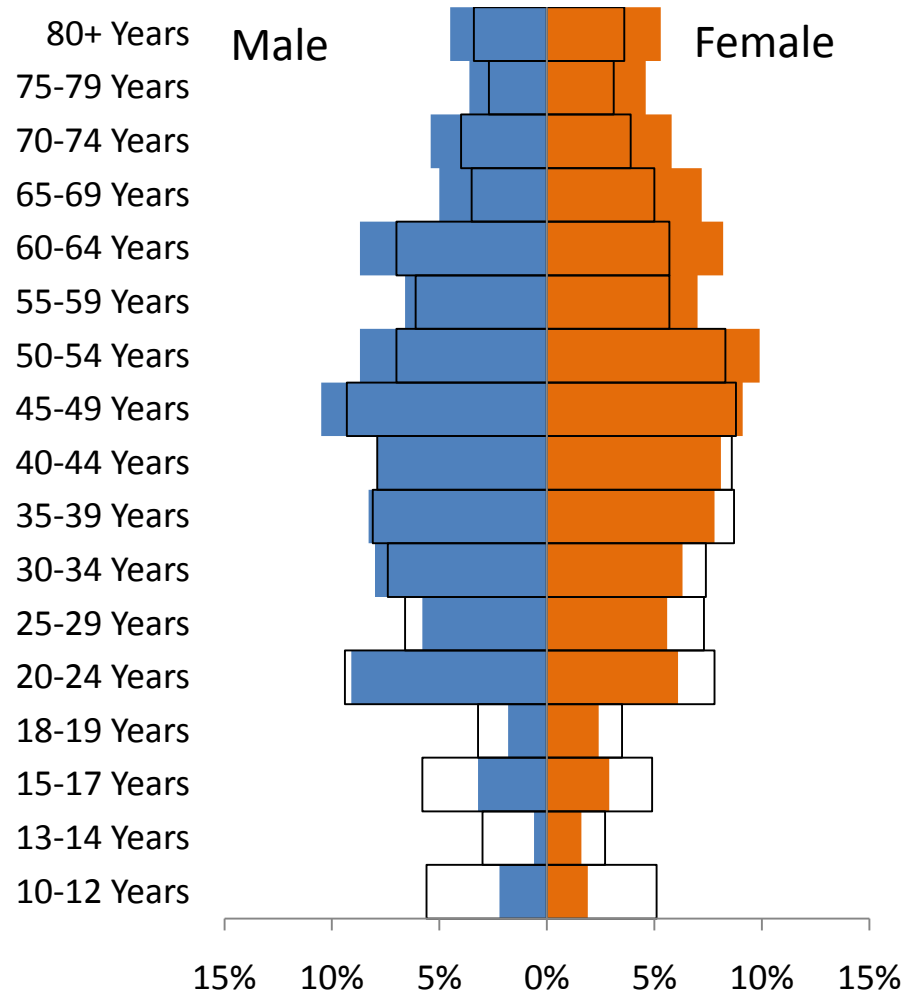
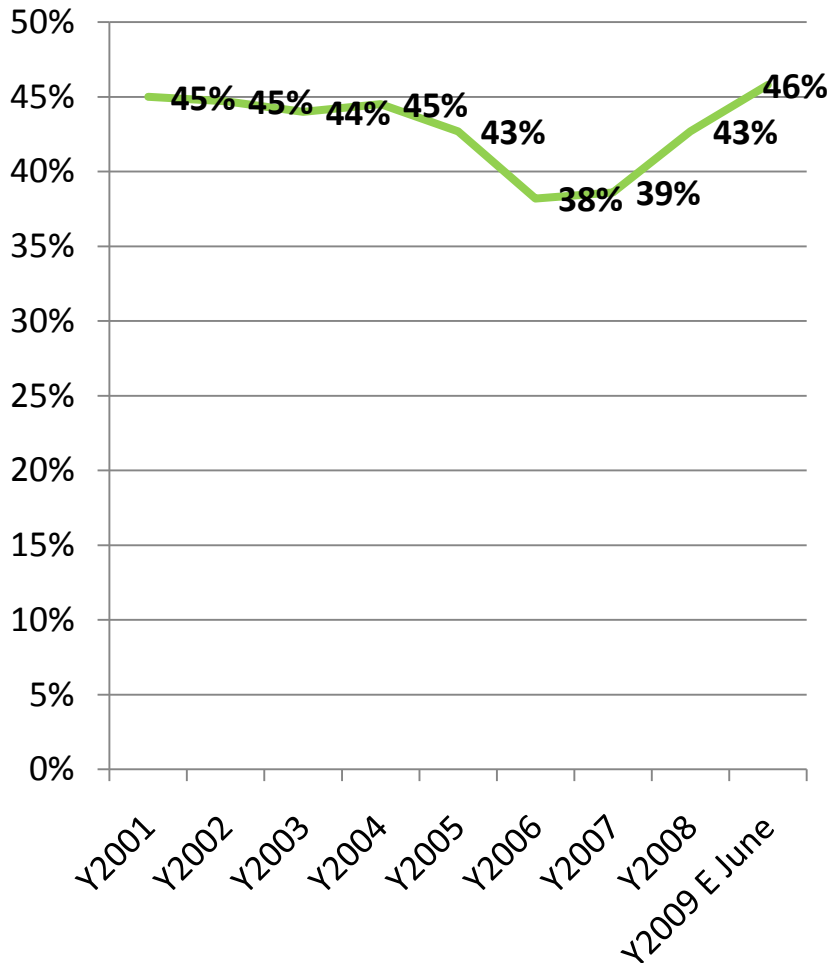
Agree: "Would consider buying from internet"



Shop visited in last month: declines

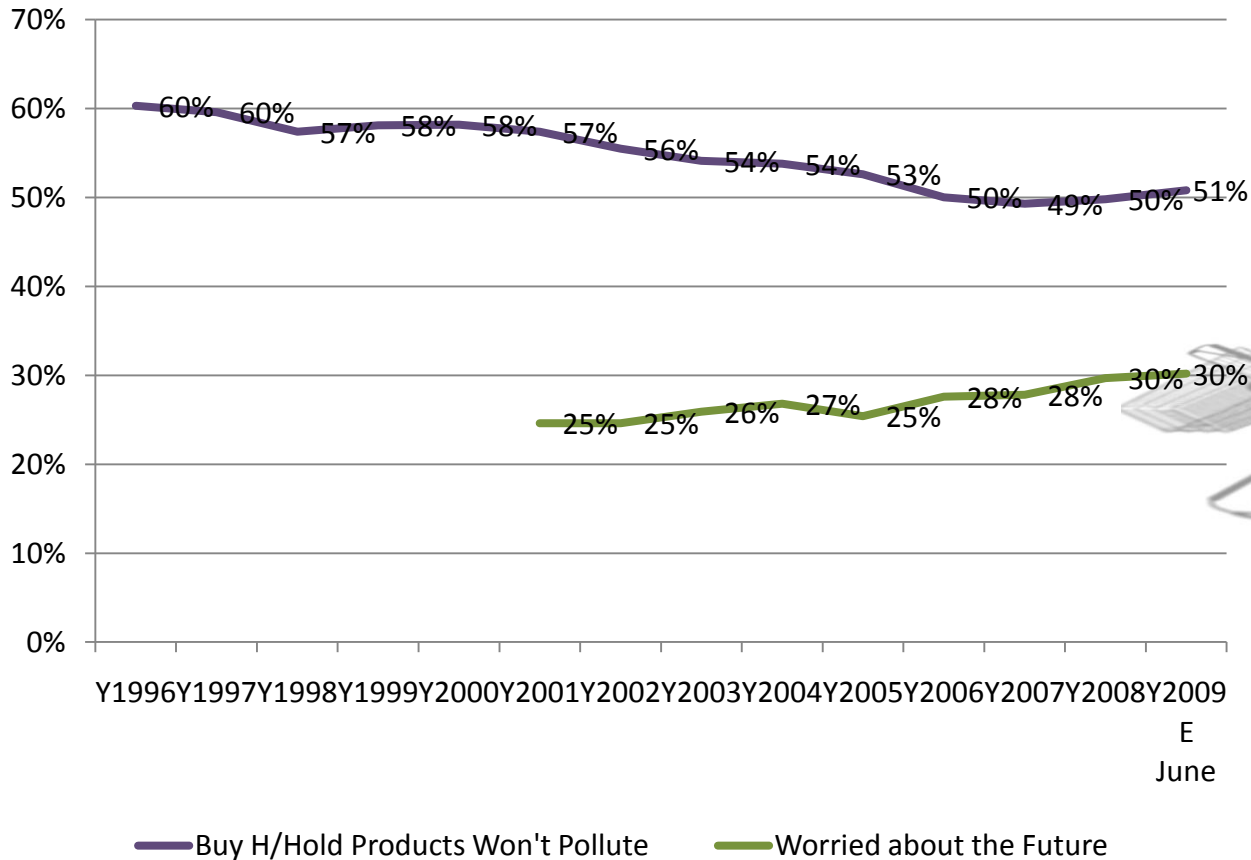


Agree: "Often try to buy New Zealand made"



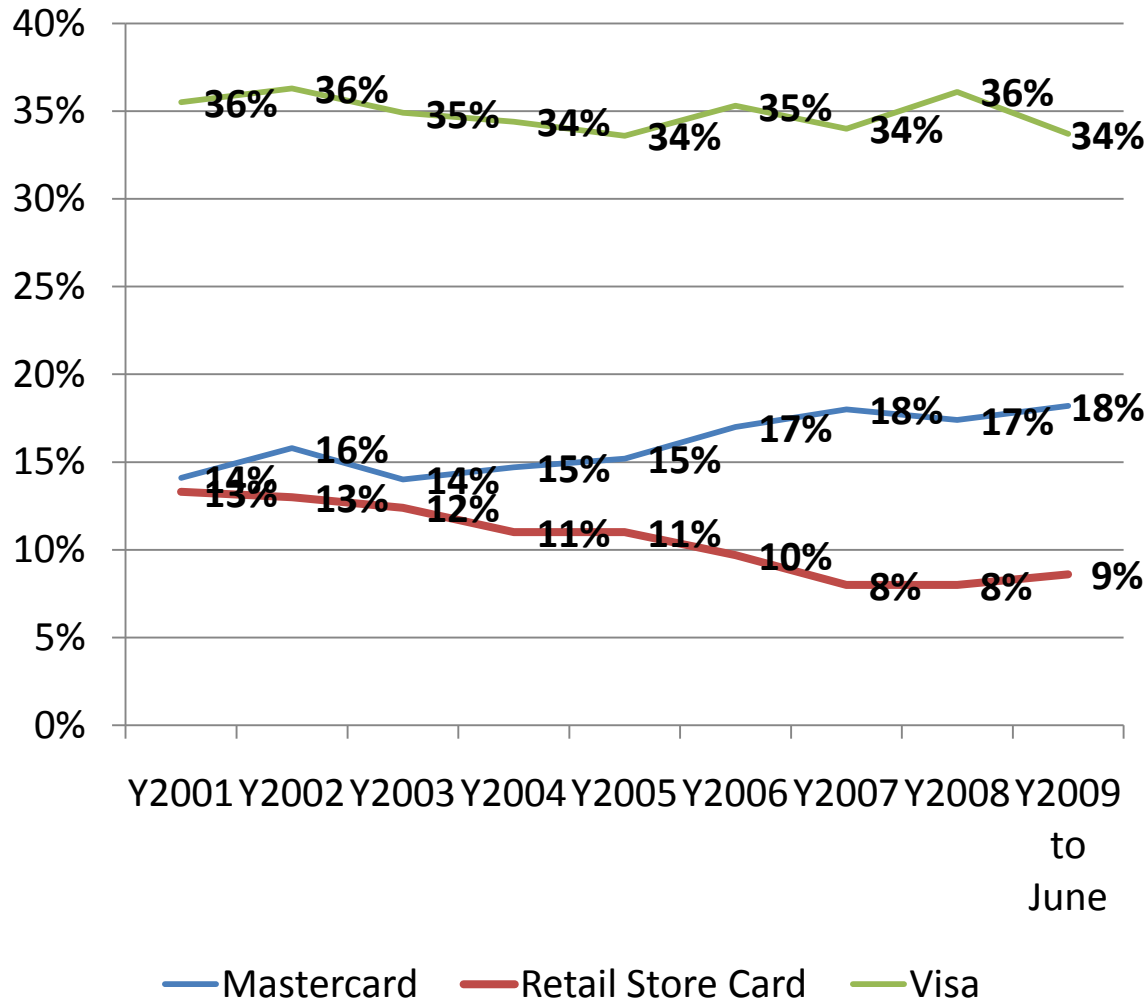
Other consumer trends

Buy Household Products that won't pollute v Worried about the Future



E
June

Purchasing



Over 30% of New Zealanders have a Visa

Mastercard gaining in popularity up from 14% to 18%.

Popularity of Retail Store cards declining



The Consumer...

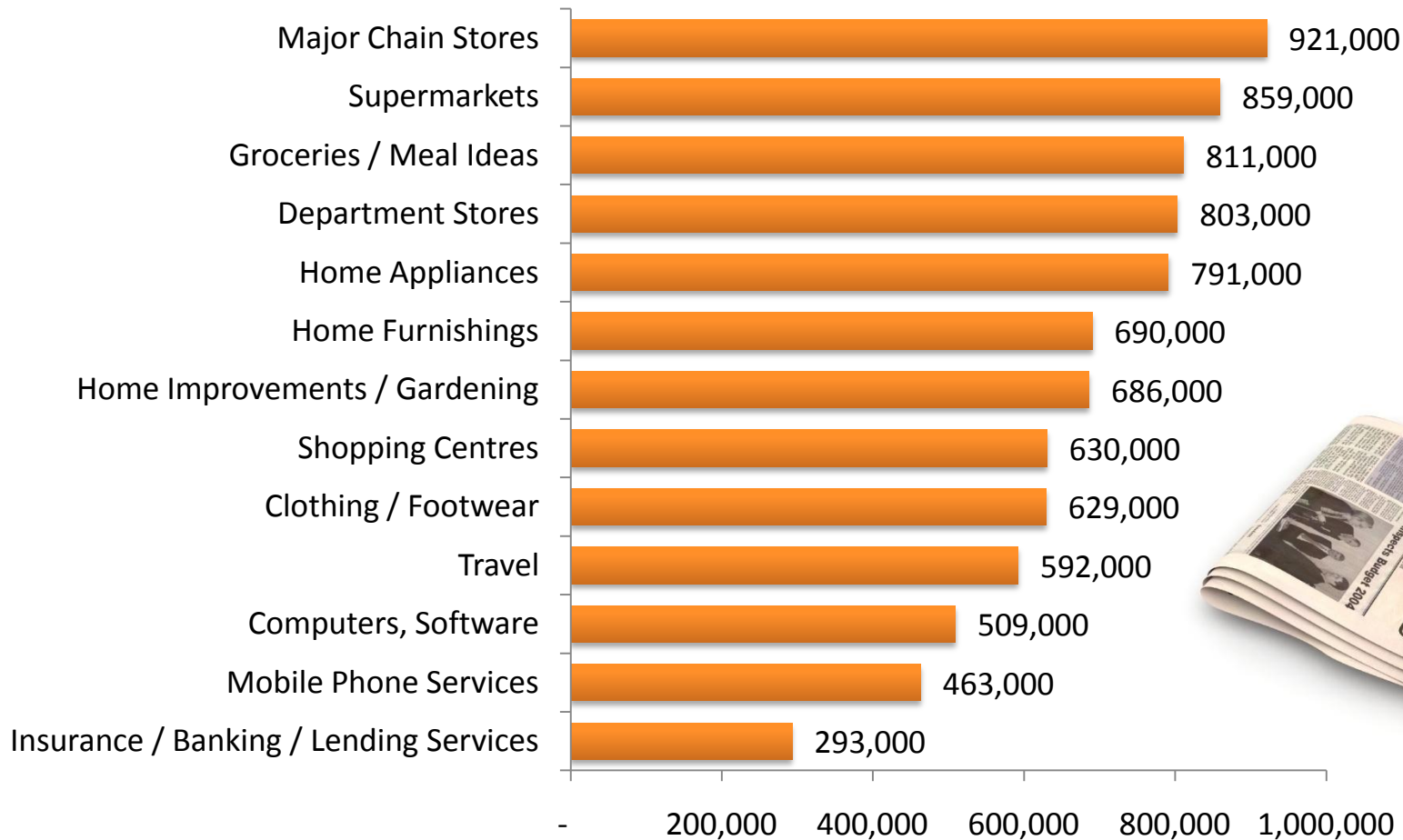
- Males more likely to participate in shopping. As a group still 40% are non-shoppers, shopping days build to Saturday whereas Females shop more on Thursday than Friday.
- Less likely to believe a higher price means better quality, and increasingly put quality ahead of costs. Also increasingly likely to look for bargains and specials.
- Females 35 – 54 have changed the most in terms of wanting to keep up with the latest fashions in that they are less likely to do so than 8 years ago. Their male counterparts on the other hand increasingly likely to say they keep up with the latest fashions. Overall, Nzer's less likely to keep up with the latest fashions than 8 years ago.
- Females aged 20 – 39 much more likely to consider buying something online than other consumers.
- Buying New Zealand made a concern more for those aged 40+, younger females unlikely to be concerned with NZ made purchasing.
- A decade ago consumers where more likely to buy products that don't pollute the environment, was 60% now 50% and trending downwards. And we're more likely to worry about the future...

NEWSPAPERS & RETAIL



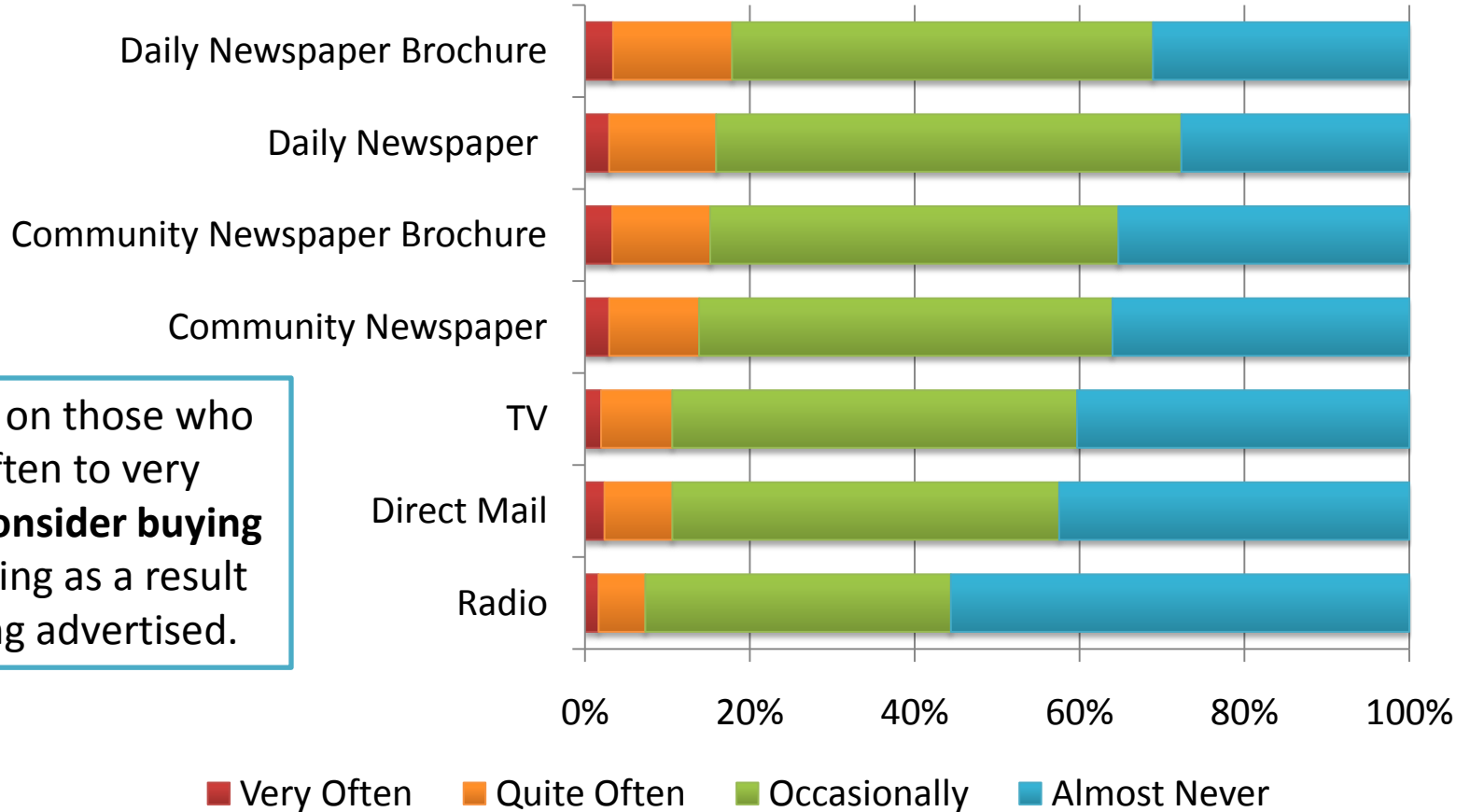
Newspapers; the retail medium

Retail type by readers who have sourced information from Daily / Weekend Newspapers

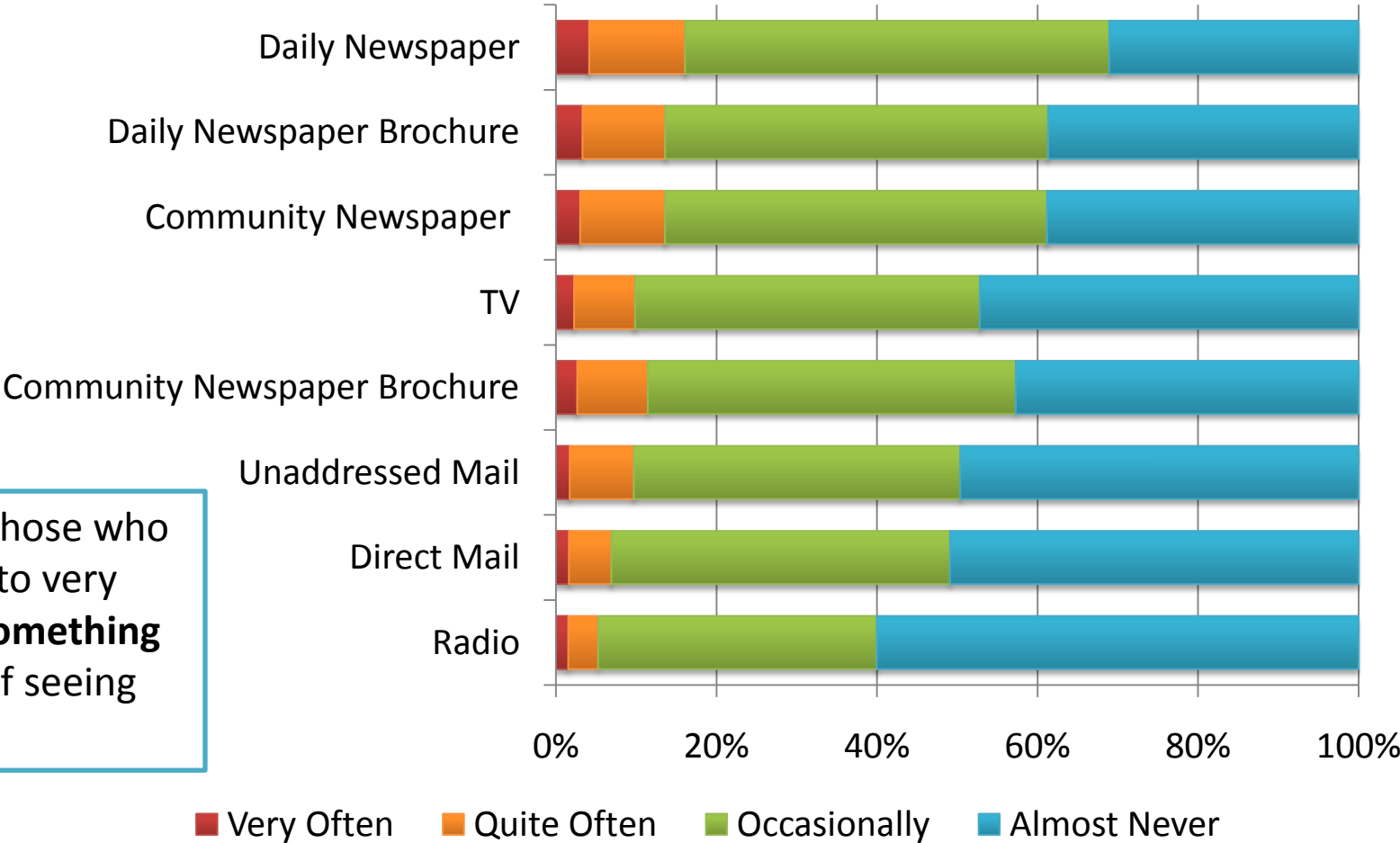


Consumer Action: Consider buying

Ranked on those who quite often to very often **consider buying** something as a result of seeing advertised.



Consumer Action: Actually buy



Ranked on those who quite often to very often **buy something** as a result of seeing advertised.

In a nut shell

- Physical store visits decreasing, but sales remaining strong – indicates more research online prior to purchase.
- We care less about keeping up with the latest fashion than we did 8 years ago.
- Consumers more thrifty, pressure on more quality.
- Online creating the informed consumer, quick to price check and compare.
- Store credit cards becoming less popular.
- Newspapers both a useful source for consumer consideration across multiple retail categories, and driving them to purchase.